

D.P.U. 93-161

Application of Eastern Edison Company under the provisions of the Company's tariff, M.D.P.U. 245, for approval by the Department of Public Utilities to implement the Company's temporary purchased power cost adjustment Factor S-9.

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FOR: EASTERN EDISON COMPANY
Applicant

I. INTRODUCTION

On September 1, 1993, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Eastern Edison Company ("EECo" or "Company") applied to the Department of Public Utilities ("Department") for approval to implement a temporary change in its purchased power cost adjustment ("PPCA"). The Company requested that this change be effective for bills rendered from October 1, 1993 through October 31, 1993. This matter was docketed as D.P.U. 93-161.

Pursuant to notice duly issued, a public hearing on the Company's application was held on September 22, 1993 at the Department's offices in Boston. Notice of the hearing was published by the Company in Fall River Herald News, the Quincy Patriot Ledger, the Brockton Enterprise, and the Boston Herald. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate. No petitions for leave to intervene were filed.

At the hearing, the Company sponsored one witness: David R. Stearns, senior analyst in the rate department of Eastern Utility Associates Service Corporation ("EUASC"). The Company submitted two exhibits: (1) Exhibit EE-1, a multi-page document entitled "Purchased Power Adjustment Filing Factor S-9," September, 1993, which includes the pre-filed testimony of Mr. Stearns; and (2) Exhibit EE-2, Revised Schedules 1, 2, 7, 9, and 10 from Exhibit EE-1.

EECo is a wholly owned subsidiary of Eastern Utilities Associates ("EUA"), a utility holding company. EUA's other subsidiaries, affiliates of EECo, include Blackstone Valley ("Blackstone") in Rhode Island, Newport Electric Corporation ("Newport") in Rhode Island and EUASC, which provides engineering, technical, and other services for the EUA companies. Montaup Electric Company ("Montaup") is a wholly owned subsidiary of EECo and supplies power to EECo, Blackstone, Newport, and certain municipal electric utilities. EECo purchases all of its power requirements at wholesale from Montaup pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). Thus, EECo does not own or operate any power generation units of its own. EECo serves, on average, 204,000 customers in its service territory, which includes over 20 cities and towns in southeastern Massachusetts.

II. BACKGROUND

EECo's PPCA is designed to recover Montaup's demand-related charges to EECo. The PPCA is derived from two components: (1) Montaup's base demand charge; and (2) Montaup's purchased capacity demand charge.

Montaup recovers the cost of power it generates through a FERC-approved rate. However, Montaup also seeks alternate sources from which to purchase power in order to meet the contracted power supply demands of its affiliates. As a result, each year, Montaup solicits cost estimates from alternate power suppliers. These estimates of annual cost are the basis of the

purchased capacity demand charge.

Annually, Montaup files at the FERC for an adjustment to the purchased capacity demand charge to become effective January 1. At the FERC, the change in Montaup's purchased capacity demand charge is referred to as an adjustment of Montaup's purchased capacity adjustment clause ("PCAC"). Under the terms of the Company's tariff, M.D.P.U. 245, whenever there is a change in Montaup's demand charge, EEC0 is required to file for a revision to its PPCA factor with the Department. These changes become E-factors.

In the instant docket, the Company proposes a billing adjustment, designated as PPCA S-9, to accomplish six reconciliations in its rate, below. An S-factor is a temporary PPCA factor representing a change in EEC0's cost of purchased power brought about by a billing adjustment rendered by Montaup.

III. THE COMPANY'S PROPOSED PPCA S-9 FACTOR

The Company proposes to consolidate into one rate six changes to its PPCA: (1) a refund credit from Montaup associated with the Connecticut sales and use tax dispute settlement; (2) a refund credit from Montaup associated with the New Hampshire nuclear property tax dispute settlement; (3) an underrecovery balance resulting from the reconciliation of the PPCA factor E-5R; (4) an overrecovery balance resulting from the reconciliation of the PPCA factor E-5R-A; (5) an underrecovery balance resulting from the reconciliation of the PPCA factor E-5R-B; and (6) the unrefunded balance resulting from the

implementation of temporary PPCA factor S-8 (Exh. EE-1, at 3; Tr. at 5-6).

First, in accordance with Montaup's M-13 Settlement Agreement, Montaup submitted to the FERC a filing to reduce the monthly revenue amount that is billed to its wholesale customers to reflect the results of an agreement between the Connecticut Department of Revenue and Northeast Utilities to reduce the Connecticut sales and use tax liability (Exh. EE-1, at 3-4; Tr. at 5). Montaup's reduced Connecticut sales and use tax liability resulted in a refund of \$106,217 to EEC_o for the period May 7, 1991 through December 31, 1992, and includes interest from Montaup (Exh. EE-1, at Sch. 2). In addition, EEC_o has applied interest of \$4,146.82 from the time that EEC_o received the refund from Montaup until the proposed date of implementation of the PPCA factor S-9 (id. at 3-4, Sch. 3; Tr. at 10).

Second, in accordance with Montaup's M-13 Settlement Agreement, Montaup submitted to the FERC a filing to reduce the monthly revenue amount that is billed to its wholesale customers to reflect the results of an agreement between the state of New Hampshire and the plaintiff states of Rhode Island, Connecticut and the Commonwealth of Massachusetts, and the owners of the Seabrook facility to reduce the Seabrook property tax liability (Exh. EE-1, at 4-5; Tr. at 5). Montaup's reduced Seabrook property tax liability resulted in a refund of \$137,765 to EEC_o for the period July 1, 1991 through May 31, 1993, and includes interest from Montaup (Exh. EE-1, at Sch. 2). In addition, EEC_o

has applied interest of \$2,582.73 from the time that EEC_o received the refund from Montaup until the proposed date of implementation of the PPCA factor S-9 id. at 4-5, Sch. 4; Tr. at 11).

Third, PPCA factor E-5R was approved by the Department in Eastern Edison Company D.P.U. 91-237 (1992) effective for bills rendered beginning January 1, 1992 (Exh. EE-1, at 6). As part of EEC_o's general rate case, D.P.U. 92-148 (1992), PPCA factor E-5R was replaced by PPCA factor E-5R-A with respect to electricity consumed on and after January 1, 1993 id.). The reconciliation of PPCA factor E-5R through December 31, 1992 resulted in an underrecovery of \$41,964.49 id. at Sch. 5; Tr. at 6).

Fourth, in Eastern Edison Company D.P.U. 93-49 (1993), PPCA factor E-5R-A was replaced by PPCA factor E-5R-B with respect to electricity consumed on and after April 1, 1993 (Exh. EE-1, at 6-7). The reconciliation of PPCA factor E-5R-A through March 31, 1993 resulted in an overrecovery of \$21,282.71 id. at Sch. 6).

Fifth, in Eastern Edison Company D.P.U. 93-128 (1993) PPCA factor E-5R-B was replaced by PPCA factor E-5R-C effective for bills rendered beginning August 1, 1993 id. at 7). The reconciliation of PPCA factor E-5R-B through July 31, 1993 resulted in an underrecovery of \$15,449.26 (Exh. EE-2, at Sch. 7).

Sixth, in Eastern Edison Company D.P.U. 93-57 (1993), the Department approved temporary PPCA factor S-8, which was a credit

effective for bills rendered from April 1, 1993 through April 30, 1993 (Exh. EE-1, at 7-8). Applicable to bills rendered during the month of April 1993, the temporary PPCA factor S-8 resulted in an underrefund of \$229.53 (id. at Sch. 8).

In addition to the components described above, EECO proposes to apply interest to the unrefunded dollar amount during the month of October 1993, when EECO proposes PPCA factor S-9 to be in effect (Tr. at 18-19). This results in an additional interest amount of \$565.61 (Exh. EE-2, at Sch. 9).

The Company calculated temporary PPCA factor S-9 by dividing \$215,381.50, the total amount to be refunded, by 195,431,000, forecast KWH sales during October 1993, resulting in a credit of \$0.00110 per KWH (id. at Sch. 2).

IV. ANALYSIS AND FINDINGS

We have reviewed the Company's calculations of the factor components, including the interest amounts added to the calculations, and find them to be appropriate. The Department has calculated EECO's temporary PPCA factor S-9 of (\$0.00110) per KWH for the period of October 1, 1993 through October 31, 1993 as shown on Table 1, attached to this Order. The combination of the temporary PPCA factor S-9 with the PPCA factors E-5R-C, E-7, and S-7 that are presently in effect results in a PPCA totalling (\$0.00017) (id. at Sch. 1).

IV. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Eastern Edison's proposed Purchased Power Cost Adjustment Factor S-9 be and hereby is allowed; and it is

FURTHER ORDERED That a temporary Purchased Power Cost Adjustment Factor S-9 is permitted to become effective for Eastern Edison Company with respect to bills rendered beginning on October 1, 1993, and shall be applied as a uniform credit to each kilowatthour sold on the applicable rates that are subject to the Company's purchased power cost adjustment provisions; and it is

FURTHER ORDERED That the Company's Purchased Power Cost Adjustment Factor S-9 shall be in effect until October 31, 1993.

By Order of the Department,